

# **City of Garfield Heights, Ohio**

**Single Audit  
December 31, 2013**





# Dave Yost • Auditor of State

City Council  
City of Garfield Heights  
5407 Turney Road  
Garfield Heights, OH 44125

We have reviewed the *Independent Auditor's Report* of the City of Garfield Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Garfield Heights is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 19, 2014

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# City of Garfield Heights, Ohio

For The Year Ended December 31, 2013

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## Independent Auditor's Report

To the City Council  
City of Garfield Heights, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Ohio (the "City"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the City Council  
City of Garfield Heights, Ohio

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
August 29, 2014

**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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This Discussion and Analysis of the City of Garfield Heights' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

- On September 19, 2013, having met all the objectives of its financial recovery plan, the City of Garfield Heights was released from fiscal emergency by the Auditor of State. The City eliminated deficits through personnel cuts that included downsizing departments, administrative pay cuts, union concessions and revenue enhancements such as increasing various user fees and instituting a residential garbage collection and disposal fee.
- In late 2012, OverDrive Inc. occupied its newly constructed 95,000 square foot world headquarters building in the I-480 development district within the City of Garfield Heights. During 2013, OverDrive Inc., a 27-year old digital distributor of e-books which serves 22,000 schools and libraries worldwide, increased employment to over 200 employees.
- The City maintained its effort to improve infrastructure assets through many roadway and sewer improvement projects utilizing grant funding thus limiting the City's total cost in such projects.
- During 2013, the City completed construction on improvements to Rockside Road and Granger Road totaling \$2,650,000, of which a significant portion was funded with monies received from State and local sources. Contributed capital of \$2,540,000 from the State of Ohio and Cuyahoga County for these projects was recorded as a special item.
- Throughout 2013 the City maintained the practice of paying all purchase orders within 30 days of receipt of invoicing in the Finance Department and thus has processed vendor payable checks every Friday.
- During 2013 the City established and maintained investment accounts with the Ohio State Treasurer's Office, through both the Star Ohio and Star Plus investment programs.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Garfield Heights as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a long-term view of those activities. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
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**Reporting the City of Garfield Heights as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services including police, fire, administration and all other departments. The City of Garfield Heights does not operate any business-type activities and has no component units.

**Reporting the City of Garfield Heights' Most Significant Funds**

***Fund Financial Statements***

The analysis of the City's major funds begins on page 8. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Garfield Heights, the City's major funds are the general fund and the bond retirement debt service fund. All other funds of the City are grouped together in the category of Other Governmental Funds.

***Governmental Funds.*** All of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Fiduciary Funds*** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Garfield Heights' own programs.

**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2013  
Unaudited

**The City of Garfield Heights as a Whole**

Recall that the statement of net position looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2013 compared to 2012.

(Table 1)  
Net Position

	Governmental Activities		
	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$25,692,239	\$25,217,423	\$474,816
Capital Assets, Net	32,368,153	30,537,746	1,830,407
<i>Total Assets</i>	<u>58,060,392</u>	<u>55,755,169</u>	<u>2,305,223</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	272,414	293,486	(21,072)
<b>Liabilities</b>			
Current and Other Liabilities	3,412,497	5,035,126	1,622,629
Long-Term Liabilities:			
Due Within One Year	3,081,583	2,622,306	(459,277)
Due in More than One Year	26,822,596	29,541,222	2,718,626
<i>Total Liabilities</i>	<u>33,316,676</u>	<u>37,198,654</u>	<u>3,881,978</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	7,074,160	7,371,111	296,951
Payments in Lieu of Taxes	149,344	0	(149,344)
<i>Total Deferred Inflows of Resources</i>	<u>7,223,504</u>	<u>7,371,111</u>	<u>147,607</u>
<b>Net Position</b>			
Net Investment in Capital Assets	15,540,642	11,780,173	3,760,469
Restricted:			
Capital Projects	910,187	901,009	9,178
Debt Service	1,648,462	2,071,012	(422,550)
Street Lighting	264,813	407,706	(142,893)
Courts	375,024	407,166	(32,142)
Other Purposes	1,337,641	1,412,885	(75,244)
Unrestricted (Deficit)	(2,284,143)	(5,501,061)	3,216,918
<i>Total Net Position</i>	<u>\$17,792,626</u>	<u>\$11,478,890</u>	<u>\$6,313,736</u>

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the position of the City has increased as evidenced by the increase in net position. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2013 and 2012.

Table 2  
Changes in Net Position

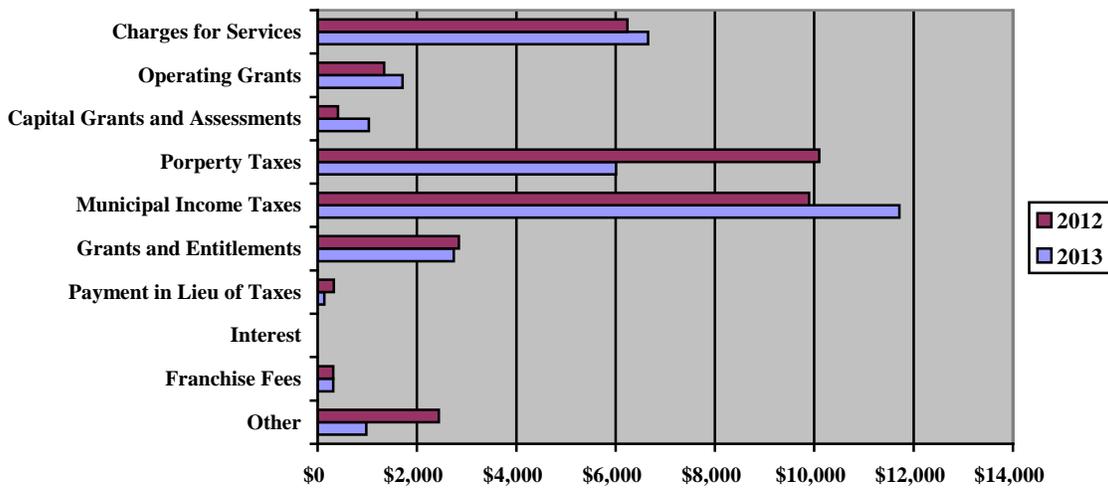
	Governmental Activities		
	2013	2012	Change
<b>Revenues</b>			
<b><i>Program Revenues</i></b>			
Charges for Services	\$6,654,436	\$6,241,269	\$413,167
Operating Grants	1,712,418	1,337,427	374,991
Capital Grants and Assessments	1,029,470	411,690	617,780
<b><i>Total Program Revenues</i></b>	<b>9,396,324</b>	<b>7,990,386</b>	<b>1,405,938</b>
<b><i>General Revenues</i></b>			
Property Taxes	6,009,145	10,097,852	(4,088,707)
Municipal Income Taxes	11,712,806	9,891,858	1,820,948
Grants and Entitlements not Restricted to Specific Programs	2,742,705	2,845,958	(103,253)
Payments in Lieu of Taxes	131,536	329,010	(197,474)
Interest	9,002	5,923	3,079
Franchise Fees	314,574	315,167	(593)
Other	977,313	2,440,492	(1,463,179)
<b><i>Total General Revenues</i></b>	<b>21,897,081</b>	<b>25,926,260</b>	<b>(4,029,179)</b>
<b><i>Total Revenues</i></b>	<b>31,293,405</b>	<b>33,916,646</b>	<b>(2,623,241)</b>
<b>Program Expenses</b>			
General Government	6,513,709	8,158,184	1,644,475
Security of Persons and Property	12,801,517	12,497,157	(304,360)
Public Health Services	568,202	248,973	(319,229)
Transportation	3,044,704	2,749,615	(295,089)
Community Development	499,748	478,890	(20,858)
Basic Utility Services	2,249,177	2,485,275	236,098
Leisure Time Activities	801,800	785,816	(15,984)
Interest and Fiscal Charges	1,040,812	1,910,692	869,880
<b><i>Total Program Expenses</i></b>	<b>27,519,669</b>	<b>29,314,602</b>	<b>1,794,933</b>
<b><i>Excess Revenues over Expenses</i></b>	<b>3,773,736</b>	<b>4,602,044</b>	<b>(828,308)</b>
Special Items	2,540,000	0	2,540,000
<b><i>Change in Net Position</i></b>	<b>6,313,736</b>	<b>4,602,044</b>	<b>1,711,692</b>
Net Position Beginning of Year	11,478,890	6,876,846	4,602,044
<b><i>Net Position End of Year</i></b>	<b>\$17,792,626</b>	<b>\$11,478,890</b>	<b>\$6,313,736</b>

**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
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**Governmental Activities**

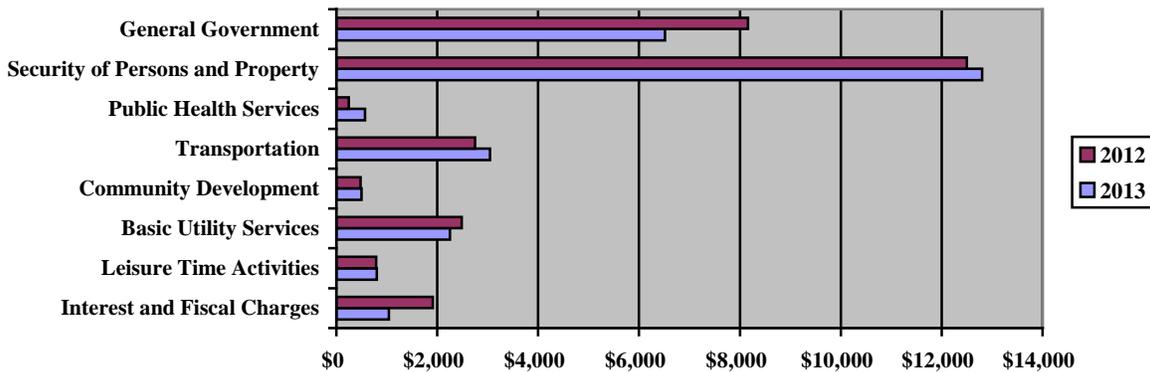
Several revenue sources fund our governmental activities, with income taxes being the largest. Municipal income taxes increased significantly in 2013 due to the addition of a new local business, OverDrive, Inc. as well as to the receipt of approximately \$800,000 in delinquent income taxes from another local corporation. The income tax rate of 2.0 percent, with a 100 percent credit for payments made to other cities, was approved by a vote of our citizens in 1982, which took effect in January of 1983. Property taxes are the second largest source of revenue. Property taxes decreased due to a significant drop in assessed property values as well as to a decrease in estimated collectible delinquencies. Increases in many of the locally generated fees and charges for services combined with additional reductions in expenditures have had a great impact on the stabilization of the City's overall cash financial position through December 31, 2013.

**Governmental Revenues (In Thousands)**



Major expense activities, under the accrual basis of accounting, include security of persons and property expenses and general government programs. Due to careful budgeting, overall expenses decreased from 2012, as is shown in the chart below.

**Governmental Expenses (In Thousands)**



**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**The City's Funds**

Information about the City's major governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund and the bond retirement debt service fund. Despite a significant decrease in property tax revenues, the general fund saw an increase in fund balance due to an increase in income tax revenues as well as to a drop in expenditures resulting from careful budgeting as revenue plus other financing sources continued to exceed expenditures plus other financing uses. The bond retirement fund saw an increase in fund balance due to a drop in debt service expenditures.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2013, the City amended its general fund budget. All recommendations for any budget change come from the City Finance Director to the Finance Committee of Council for review before going to the whole Council for ordinance enactment on the change. In 2012, the City amended the form of its budgetary ordinances. In past years the City would budget to the individual line item thus not allowing for the Finance Director or the Departmental Director to make minor budget adjustments throughout the year. The City's 2013 budgetary ordinance and all amendments thereto, were compiled only to the object level, thus allowing for minor changes to be made within the object level grouping without the necessity of a formal ordinance to approve the change. With the general fund supporting many of the major activities such as the police and fire departments, as well as most legislative and executive activities, the general fund is monitored closely for possible revenue shortfalls or over spending by individual departments.

In 2013, the general fund's final revenue estimate was significantly lower than the original revenue estimate due to lower estimates in all revenue categories. As a clear picture of revenue collection came into view, the City's Administration took steps to ensure the proper revenue budget was in place. The general fund's actual revenue plus other financing sources closely matched the final revenue estimate. Actual expenditures plus other financing uses were under the final budget due mainly to lower general government expenditures for materials and supplies and contractual services. Through careful monitoring by the Administration, the City was able to positively affect the general fund's balance for 2013.

**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

**Capital Assets and General Long-Term Obligations**

*Capital Assets*

Table 3  
 Capital Assets at Year End  
 (Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$1,670,555	\$1,665,810
Construction in Progress	249,665	0
Buildings and Improvements	10,721,329	11,128,092
Vehicles	1,365,752	1,577,846
Machinery and Equipment	1,105,562	850,650
Furniture and Fixtures	102,440	104,640
Infrastructure	17,152,850	15,210,708
Total	\$32,368,153	\$30,537,746

Total capital assets for the City of Garfield Heights as of December 31, 2013 increased from 2012 due to capital asset additions outpacing annual depreciation. Capital asset additions for 2013 consisted of additions to land, construction in progress, buildings, vehicles, equipment, furniture and fixtures and infrastructure. See Note 10 for additional information on the City's capital assets.

*Long Term Debt*

The City's overall legal debt margin at December 31, 2013 was \$15,386,051. Table 4 indicates the total outstanding long-term debt of the City.

Table 4  
 Long-Term Debt at Year End

	Governmental Activities	
	2013	2012
General Obligation Bonds	\$23,933,696	\$26,090,068
Special Assessment Bonds	338,120	474,991
Police and Fire Liability	560,705	576,465
Total	\$24,832,521	\$27,141,524

During 2012, the City issued \$5,775,000 in general obligation bonds for the purpose of refunding the 2002 various improvement general obligation bonds in order to take advantage of lower interest rates.

During 2012, the City continued to pay down their debt. One of the City's major funds is the bond retirement fund, which is specifically set up for the accumulation and payment of the City's annual principal and interest requirements of the general obligation and special assessment bonds identified above.

**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
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The police and fire loan shown in Table 4 above, in the amount of \$560,705 identifies the City's accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. Actual cash demands, for principal and interest for this obligation, total over \$40,000 annually through the year 2035. See Note 14 for detailed long-term debt information.

**Current Financial Related Activities**

The City of Garfield Heights was placed in fiscal emergency in 2008. The City continues to maintain overall services that were offered prior to the placement into fiscal emergency, although there has been some reduction. The City continues to strive to reduce the negative fund deficits that were the cause of the fiscal emergency. As of the end of 2013, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated.

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the City of Garfield Heights, the Auditor of State performed an analysis of the City of Garfield Heights to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certified, as required by Section 118.27 of the Revised Code, that the City of Garfield Heights no longer met the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan were met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the City of Garfield Heights and its role in the operation of the City of Garfield Heights was terminated as of September 19, 2013.

Prior to the City of Garfield Heights being designated in Fiscal Emergency, the City had 20 years of progressive growth and well being. Unfortunately, due to the fiscal emergency situation that existed, many renovation and repair plans had to be postponed, however, in spite of the fiscal emergency condition the City was able to negotiate with potential new business owners regarding development and also was able to complete many needed infrastructure upgrades.

The first of the development opportunities was the OverDrive Inc. world headquarters development. OverDrive Inc. is a 27-year-old digital distributor of downloadable digital e-book files that serves 22,000 libraries and schools worldwide. The company had originally purchased a vacant warehouse facility on Granger Road within the I-480 development corridor with plans to renovate the facility, however upon further investigation after the purchase, OverDrive Inc. decided that the best course of action was to demolish the old facility and construct new. The company's new world headquarters was completed in September 2012, at which time the company began moving their current staff of 165 employees into the facility. Since occupying the new facility, OverDrive Inc. has increased employment to over 200 employees.

The second major construction project progressing in the City was a new branch of the Cuyahoga County Library System. The system has had a branch library in Garfield Heights since the middle 1960's, which occupied a City owned structure that was built then for the branch library under a long term government lease agreement. In order for the new construction to progress, the City had to transfer ownership of the building and land to the Library System. The construction plan was for the demolition of the old existing structure, to begin in the early spring of 2012, and the construction of the new \$11 million facility thereafter. The construction of this facility progressed on the time line the Library System had originally projected, with the Library System occupying the new facility in September 2013.

**City of Garfield Heights, Ohio**  
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Throughout 2010 and 2011, Marymount Hospital, the City's largest employer, constructed a new surgical wing and the renovation of the old surgery facility into a recovery center. This construction and renovation project was at an estimated total cost of \$45 million, and follows a \$40 million plus hospital renovation that was completed just 5 to 6 years prior. The new surgical center opened in March of 2012 and the renovation portion of the project began thereafter.

There are also two major, future, private development opportunities within the I-480 Interchange Development District that the City is closely monitoring and working with the owners and developers to bring to fruition. The first of these includes the completion of the extension of Transportation Boulevard through to Rockside Road, which is south of the I-480 Interchange. During 2011, the State of Ohio EPA lifted its ban on the continued construction of Transportation Boulevard through to Rockside Road. This project began in the early 2000's and is a brown-field reclamation project. It will involve the construction of a roadway and future development, on private land, over a closed landfill. The State EPA halted the project around 2007 when complications arose with the then newly constructed City View retail shopping center. In the summer of 2011, the State of Ohio EPA issued a permit to the landowner for the continuation of the construction of the roadway on through to Rockside Road. The project began in 2012 and continued in 2013 with the accumulation of capping material on the site to meet the EPA permit rules for the development to proceed. During 2013, the City entered an agreement with Bohning Engineering for the development of plans and specifications for the grading and elevation requirements of the capping material. This project is scheduled to begin in the summer of 2014 with the grading to EPA required capping and elevation specifications and the relocation to other areas of the site of a portion of the refuse.

To the north of the I-480 Interchange, a new Garfield Heights developer, the Craig Realty Group, in late 2013 finalized the acquisition of all rights and ownership to approximately 60-80 acres of virgin land that was once referred to as the Bridgeview Development site. The Craig Realty Group's future plans for this site have been identified as a retail outlet mall, to be completed in 2 -3 phases. The City has been in discussions with this development group for over 2 years, and over the past year has been in negotiations pertaining to the potential financing options, available to the developer, where the City can be instrumental in aiding the development of this site.

As is the case with many governmental agencies, dated infrastructure can be a problem. However, over the past 20 years, the City had taken a proactive stance in regards to dated infrastructure and plans to continue this effort of improving infrastructure as the need arises. At the beginning of the City's financial troubles, dating to 2008, the City's infrastructure improvements were put on temporary hold. During 2010 - 2012, the City was informed of major roadway improvements that would be taking place within the City. Through cooperation agreements with Cuyahoga County, the State Department of Transportation, the Ohio Public Works Commission (OPWC), and neighboring communities, various roadway projects have been completed and future projects are now planned.

In partnership with the Cuyahoga County Department of Public Services storm and sanitary sewer funds, many sewer system problem areas have been remedied. These include a Catch Basin Repair Project (2011-2012), the North Granger Sewer Replacement Project (2011-2012), the Thraves/Grannis Sewer Project (2011-2012), the Rosewood/Bancroft Sewer Project (2012-2013), the west End of Grand Division Storm Sewer Project (2012-2013), and the Wallingford/East 112<sup>th</sup> Street Sanitary Sewer Project (2012-2013). Recently completed roadway projects include: 1) McCracken Road Reconstruction Project (2012) funded through OPWC Grant and cooperation agreement with City of Cleveland. The City's cost of this project was \$450,000 funded through the City's 2010 Bond issue; 2) Rockside Road Rehab/Resurfacing Project (2013) funded through agreements with the State, County, OPWC Grant, and neighboring communities of Maple Heights and Bedford, total City funds required \$65,000 funded through the City's 2010 Bond issue; and 3)

**City of Garfield Heights, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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the Granger Road Rehab/Resurfacing Project (2013), funded through agreements with the State and County, the City cost of \$45,000 was funded with cash. Future infrastructure projects include: 1) the Granger Rd / Transportation Blvd Intersection Widening Project (2014–2015) funded through OPWC Grant and private funding sources; 2) the Turney Road Waterline Replacement Project (2014-2015) funded through the Cleveland Water Department; 3) the Turney Road Rehab/Resurfacing Project (2015–2016) funded through the State of Ohio and Cuyahoga County; and 4) Turney Road Storm and Sanitary Sewer Rehab/Replacement Projects (2016), in conjunction with the roadway work, projected funding source is the Cuyahoga County Department of Public Services storm and sanitary sewer funds.

**Contacting the City's Finance Department**

This financial report is designed to provide the citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ron Tomola, Finance Director, City of Garfield Heights, 5407 Turney Road, Garfield Heights, Ohio 44125 Phone: (216) 475-1100.

## Basic Financial Statements

**City of Garfield Heights, Ohio**

*Statement of Net Position*

*December 31, 2013*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,570,249
Cash and Cash Equivalents With Fiscal Agents	99,644
Accounts Receivable	1,195,582
Intergovernmental Receivable	2,263,819
Prepaid Items	41,263
Materials and Supplies Inventory	75,257
Municipal Income Taxes Receivable	4,281,894
Property Taxes Receivable	11,677,067
Special Assessments Receivable	338,120
Payments in Lieu of Taxes Receivable	149,344
Nondepreciable Capital Assets	1,920,220
Depreciable Capital Assets, Net	30,447,933
<i>Total Assets</i>	<u>58,060,392</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>272,414</u>
<b>Liabilities</b>	
Accounts Payable	200,346
Contracts Payable	361,290
Accrued Wages	222,340
Intergovernmental Payable	727,050
Unearned Revenue	1,070,000
Accrued Interest Payable	61,052
Notes Payable	403,313
Claims Payable	367,106
Long-Term Liabilities:	
Due Within One Year	3,081,583
Due In More Than One Year	26,822,596
<i>Total Liabilities</i>	<u>33,316,676</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	7,074,160
Payments in Lieu of Taxes	149,344
<i>Total Deferred Inflows of Resources</i>	<u>7,223,504</u>
<b>Net Position</b>	
Net Investment in Capital Assets	15,540,642
Restricted for:	
Capital Projects	910,187
Debt Service	1,648,462
Street Lighting	264,813
Courts	375,024
Other Purposes	1,337,641
Unrestricted (Deficit)	<u>(2,284,143)</u>
<i>Total Net Position</i>	<u><u>\$17,792,626</u></u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants and Assessments	Governmental Activities
<b>Governmental Activities:</b>					
General Government	\$6,513,709	\$2,347,545	\$354,597	\$1,029,470	(\$2,782,097)
Security of Persons and Property	12,801,517	3,439,394	30,309	0	(9,331,814)
Public Health Services	568,202	135,388	0	0	(432,814)
Transportation	3,044,704	443	970,225	0	(2,074,036)
Community Development	499,748	61,022	299,193	0	(139,533)
Basic Utility Services	2,249,177	511,738	58,094	0	(1,679,345)
Leisure Time Activities	801,800	158,906	0	0	(642,894)
Interest and Fiscal Charges	1,040,812	0	0	0	(1,040,812)
<i>Totals</i>	<u>\$27,519,669</u>	<u>\$6,654,436</u>	<u>\$1,712,418</u>	<u>\$1,029,470</u>	<u>(18,123,345)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	4,597,233
Street Lighting	254,099
Police Pension	66,288
Fire Pension	66,288
Debt Service	804,282
Capital Outlay	220,955
Municipal Income Tax Levied for:	
General Purposes	9,491,293
Street Construction, Maintenance and Repair	703,059
Debt Service	820,235
Capital Outlay	698,219
Grants and Entitlements not Restricted to Specific Programs	2,742,705
Payments in Lieu of Taxes	131,536
Interest	9,002
Franchise Fees	314,574
Other	977,313
<i>Total General Revenues</i>	<u>21,897,081</u>
Special Item - Rockside Road Improvements	1,185,000
Special Item - Granger Road Improvements	1,355,000
<i>Total Special Items</i>	<u>2,540,000</u>
<i>Total General Revenues and Special Items</i>	<u>24,437,081</u>
Change in Net Position	6,313,736
<i>Net Position Beginning of Year</i>	<u>11,478,890</u>
<i>Net Position End of Year</i>	<u>\$17,792,626</u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$3,192,417	\$183,780	\$2,076,733	\$5,452,930
Cash and Cash Equivalents				
With Fiscal Agents	0	0	99,644	99,644
Accounts Receivable	1,144,323	1,149	50,110	1,195,582
Intergovernmental Receivable	1,071,063	487,257	705,499	2,263,819
Prepaid Items	35,876	0	5,387	41,263
Materials and Supplies Inventory	51,195	0	24,062	75,257
Payments in Lieu of Taxes Receivable	0	0	149,344	149,344
Municipal Income Taxes Receivable	3,468,334	299,732	513,828	4,281,894
Property Taxes Receivable	8,913,494	1,574,240	1,189,333	11,677,067
Special Assessments Receivable	0	338,120	0	338,120
Restricted Assets:				
Equity in Pooled Cash and				
Cash Equivalents	117,319	0	0	117,319
<b>Total Assets</b>	<b>\$17,994,021</b>	<b>\$2,884,278</b>	<b>\$4,813,940</b>	<b>\$25,692,239</b>
<b>Liabilities</b>				
Accounts Payable	\$175,608	\$0	\$24,738	\$200,346
Contracts Payable	240,360	0	120,930	361,290
Accrued Wages	194,876	0	27,464	222,340
Intergovernmental Payable	530,596	0	196,454	727,050
Unearned Revenue	634,000	0	436,000	1,070,000
Accrued Interest Payable	3,500	0	0	3,500
Notes Payable	403,313	0	0	403,313
Claims Payable	330,318	0	36,788	367,106
<b>Total Liabilities</b>	<b>2,512,571</b>	<b>0</b>	<b>842,374</b>	<b>3,354,945</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes	5,399,942	953,700	720,518	7,074,160
Payments in Lieu of Taxes	0	0	149,344	149,344
Unavailable Revenue	7,645,583	1,547,854	1,342,006	10,535,443
<b>Total Deferred Inflows of Resources</b>	<b>13,045,525</b>	<b>2,501,554</b>	<b>2,211,868</b>	<b>17,758,947</b>
<b>Fund Balances</b>				
Nonspendable	204,390	0	29,449	233,839
Restricted	0	382,724	1,835,237	2,217,961
Committed	13,188	0	0	13,188
Assigned	1,307,369	0	0	1,307,369
Unassigned (Deficit)	910,978	0	(104,988)	805,990
<b>Total Fund Balances</b>	<b>2,435,925</b>	<b>382,724</b>	<b>1,759,698</b>	<b>4,578,347</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$17,994,021</b>	<b>\$2,884,278</b>	<b>\$4,813,940</b>	<b>\$25,692,239</b>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2013*

<b>Total Governmental Fund Balances</b>	<b>\$4,578,347</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,368,153
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	4,602,907
Municipal Income Taxes	3,376,688
Intergovernmental	1,572,036
Charges for Services	645,692
Special Assessments	<u>338,120</u>
Total	10,535,443
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(57,552)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.	272,414
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(23,933,696)
Special Assessment Bonds	(338,120)
Compensated Absences	(4,436,418)
Claims Payable	(435,951)
Police and Fire Liability	(560,705)
Capital Leases	<u>(199,289)</u>
Total	<u>(29,904,179)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$17,792,626</u></u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$6,117,420	\$1,072,768	\$810,470	\$8,000,658
Municipal Income Taxes	9,026,804	780,095	1,332,464	11,139,363
Special Assessments	0	268,400	0	268,400
Charges for Services	4,437,355	0	0	4,437,355
Contributions and Donations	0	0	210,900	210,900
Fees, Licenses and Permits	413,588	0	443	414,031
Fines and Forfeitures	591,070	0	740,064	1,331,134
Intergovernmental	2,618,489	213,027	2,649,789	5,481,305
Interest	8,174	453	375	9,002
Franchise Fees	314,574	0	0	314,574
Payments in Lieu of Taxes	0	0	131,536	131,536
Other	774,377	52,713	308,228	1,135,318
<i>Total Revenues</i>	<u>24,301,851</u>	<u>2,387,456</u>	<u>6,184,269</u>	<u>32,873,576</u>
<b>Expenditures</b>				
Current:				
General Government	5,662,698	49,003	593,960	6,305,661
Security of Persons and Property	10,900,063	0	1,671,277	12,571,340
Public Health Services	522,842	0	0	522,842
Transportation	0	0	1,852,495	1,852,495
Community Development	194,795	0	301,961	496,756
Basic Utility Services	1,658,670	0	455,087	2,113,757
Leisure Time Activities	698,832	0	0	698,832
Capital Outlay	0	0	1,357,216	1,357,216
Debt Service:				
Principal Retirement	0	2,276,000	15,760	2,291,760
Interest and Fiscal Charges	54,496	966,073	24,334	1,044,903
<i>Total Expenditures</i>	<u>19,692,396</u>	<u>3,291,076</u>	<u>6,272,090</u>	<u>29,255,562</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,609,455</u>	<u>(903,620)</u>	<u>(87,821)</u>	<u>3,618,014</u>
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	0	0	199,289	199,289
Transfers In	183,310	1,084,500	1,748,480	3,016,290
Transfers Out	(1,748,480)	0	(1,267,810)	(3,016,290)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,565,170)</u>	<u>1,084,500</u>	<u>679,959</u>	<u>199,289</u>
<i>Net Change in Fund Balances</i>	3,044,285	180,880	592,138	3,817,303
<i>Fund Balances (Deficit)</i>				
<i>Beginning of Year</i>	<u>(608,360)</u>	<u>201,844</u>	<u>1,167,560</u>	<u>761,044</u>
<i>Fund Balances End of Year</i>	<u>\$2,435,925</u>	<u>\$382,724</u>	<u>\$1,759,698</u>	<u>\$4,578,347</u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** \$3,817,303

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Assets Additions	3,989,690	
Current Year Depreciation	<u>(2,147,879)</u>	
 Total		 1,841,811

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (11,404)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(1,991,513)	
Municipal Income Taxes	573,443	
Intergovernmental	(339,141)	
Charges for Services	471,916	
Other	(158,005)	
Special Assessments	<u>(136,871)</u>	
 Total		 (1,580,171)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,291,760

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued Interest on Bonds	7,920	
Amortization of Deferred Charge on Refunding	(21,072)	
Amortization of Bond Discount	(1,417)	
Amortization of Bond Premium	<u>18,660</u>	
 Total		 4,091

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(21,551)	
Claims	<u>171,186</u>	
 Total		 149,635

Other financing sources and uses in the governmental funds, such as inception of capital lease, increase long-term liabilities in the statement of net position. (199,289)

*Change in Net Position of Governmental Activities* \$6,313,736

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$6,586,164	\$6,072,851	\$6,072,848	(\$3)
Municipal Income Taxes	9,019,933	8,316,938	8,312,891	(4,047)
Charges for Services	4,556,346	4,201,234	4,292,315	91,081
Fees, Licenses and Permits	417,399	384,868	393,592	8,724
Fines and Forfeitures	650,801	600,079	598,261	(1,818)
Intergovernmental	1,847,707	1,710,852	1,714,211	3,359
Interest	8,441	7,783	8,174	391
Franchise Fees	341,164	314,574	314,574	0
Other	850,562	794,838	697,925	(96,913)
<i>Total Revenues</i>	<u>24,278,517</u>	<u>22,404,017</u>	<u>22,404,791</u>	<u>774</u>
<b>Expenditures</b>				
Current:				
General Government	6,253,361	6,694,284	6,074,817	619,467
Security of Persons and Property	10,536,893	11,137,505	10,996,675	140,830
Public Health Services	191,934	203,734	196,628	7,106
Community Development	168,423	202,890	196,042	6,848
Basic Utility Services	2,010,200	1,835,200	1,831,001	4,199
<i>Total Expenditures</i>	<u>19,160,811</u>	<u>20,073,613</u>	<u>19,295,163</u>	<u>778,450</u>
<i>Excess of Revenues Over Expenditures</i>	<u>5,117,706</u>	<u>2,330,404</u>	<u>3,109,628</u>	<u>779,224</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	20,000	183,310	183,310	0
Transfers Out	(1,847,742)	(2,163,999)	(2,114,747)	49,252
<i>Total Other Financing Sources (Uses)</i>	<u>(1,827,742)</u>	<u>(1,980,689)</u>	<u>(1,931,437)</u>	<u>49,252</u>
<i>Net Change in Fund Balance</i>	3,289,964	349,715	1,178,191	828,476
<i>Fund Balance Beginning of Year - Restated</i>	829,537	829,537	829,537	0
Prior Year Encumbrances Appropriated	477,575	477,575	477,575	0
<i>Fund Balance End of Year</i>	<u>\$4,597,076</u>	<u>\$1,656,827</u>	<u>\$2,485,303</u>	<u>\$828,476</u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2013*

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<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$1,213,968</u>
<b>Liabilities</b>	
Intergovernmental Payable	\$897,768
Due to Others	<u>316,200</u>
<i>Total Liabilities</i>	<u>\$1,213,968</u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 1 - Description of the City and Reporting Entity**

The City of Garfield Heights (the City) is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on November 6, 1956. The City is governed under the mayor-council form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative and executive purposes and performs the judicial functions of the City. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also executes all contracts, conveyances and evidences of indebtedness of the City. The Mayor appoints the law director, finance director and service director with approval from Council.

Legislative authority is vested in a seven member council elected from wards. Council members are elected to two-year terms. The seven Council members elect one of their own to act as the President of Council and the President Pro-Tem. Council enacts ordinances and resolutions relating to tax levies and appropriates and borrows money.

The Board of Control approves all bids and is made up of four Council members (the president of Council and the Finance Committee) and four administrators (the Mayor, law director, finance director and service director).

On September 19, 2013, the Auditor of State terminated the City from fiscal emergency. Based upon an analysis performed by the Auditor of State, the City no longer meets the fiscal emergency conditions set forth in Section 118.03, Ohio Revised Code, the objectives of the financial recovery plan have been met, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented and management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Garfield Heights this includes the agencies and departments that provide the following services: police and fire protection, emergency medical services, municipal court, parks, recreation, planning, zoning, street maintenance and repairs.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The reporting entity of the City does not include any component units.

The City participates in the Northeast Ohio Public Energy Council and the First Suburbs Consortium of Northeast Ohio Council of Governments, jointly governed organizations. Information about these organizations is presented in Note 17 to the basic financial statements.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City of Garfield Heights have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

***Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City uses two categories of funds, governmental and fiduciary.

***Governmental Funds***

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

**General Fund** The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Garfield Heights and/or the general laws of Ohio.

**Bond Retirement Fund** This fund is used to account for and report the accumulation of restricted debt proceeds, and the payment of, general long-term and special assessment principal, interest and related costs.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

***Fiduciary Fund***

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The City's agency funds are purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations. The City's agency funds account for the municipal court's resources which are due to other cities and for payments in lieu of taxes collected on the Transportation-Antenucci Boulevard tax increment financing, which are due to the Garfield Heights City School District and the Cleveland Cuyahoga County Port Authority.

***Measurement Focus***

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

***Revenues – Exchange and Non-exchange Transactions***

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 9) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees and rentals.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year

**City of Garfield Heights, Ohio**  
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2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The City utilizes a financial institution to service escrowed lease proceeds until payment is made in full. The balances in these accounts are presented in the statements as "cash and cash equivalents with fiscal agents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented as "cash and cash equivalents in segregated accounts" and represent deposits.

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*Notes to the Basic Financial Statements*  
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During 2013, the City invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office. STAR Ohio allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investments Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on December 31, 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$8,174, which includes \$2,825 assigned from other City funds.

For presentation on the financial statements, investments of the cash management pool and investments not purchased from the pool with an original maturity of three months or less are considered to be cash equivalents.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City does not have a capitalization threshold. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
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All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	10 - 45 years
Improvements Other than Buildings	10 - 45 years
Vehicles	6 - 20 years
Machinery and Equipment	1 - 20 years
Furniture and Fixtures	5 - 20 years
Infrastructure	25 - 50 years

Infrastructure consists of roadways, sanitary sewers, storm sewers and water supply lines and includes infrastructure acquired prior to December 31, 1980.

***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net position.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive the compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the City's termination policy. The City records a liability for accumulated unused vacation and sick leave for all employees after one year of service.

Overtime is paid in the period in which it was worked, except for the Police and Fire Department employees, who may accumulate overtime within limits built into the contracts. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

***Accrued and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinances or resolution as both are legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinances or resolution as both are legally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2014’s appropriated budget.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

***Net Position***

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for law enforcement and education, community development and street repair and maintenance.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Internal Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. During 2013, construction was completed on improvements to Rockside Road and Granger Road. Contributed capital of \$2,540,000 from the State of Ohio and Cuyahoga County was recorded as a special item.

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 3 – Changes in Accounting Principles**

For 2013, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus, an amendment of GASB 14 and 34.” GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units’ presentation and certain disclosure requirements. These changes were incorporated in the City’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 - Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual are presented in the basic financial statements for the general fund. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements, but which is reported on the operating statements prepared using GAAP.
5. Budgetary revenues and expenditures of the recreation and federal nutrition funds are classified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$3,044,285
Net Adjustment for Revenue Accruals	(567,209)
Beginning Unrecorded Cash	(47,734)
Perspective Difference:	
Recreation	(118,625)
Federal Nutrition	(28,772)
Net Adjustment for Expenditure Accruals	(612,605)
Encumbrances	(491,149)
Budget Basis	<u><u>\$1,178,191</u></u>

**City of Garfield Heights, Ohio**  
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**Note 5 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Prepaid Items	\$35,876	\$0	\$5,387	\$41,263
Materials and Supplies Inventory	51,195	0	24,062	75,257
Unclaimed Monies	117,319	0	0	117,319
<b><i>Total Nonspendable</i></b>	<b>204,390</b>	<b>0</b>	<b>29,449</b>	<b>233,839</b>
<b><i>Restricted for</i></b>				
Municipal Court	0	0	401,690	401,690
Public Safety	0	0	389,003	389,003
Street Maintenance	0	0	283,971	283,971
Community Development	0	0	3,393	3,393
Disaster Relief Programs	0	0	1,415	1,415
Debt Service Payments	0	382,724	0	382,724
Street Lighting	0	0	34,511	34,511
Capital Improvements	0	0	721,254	721,254
<b><i>Total Restricted</i></b>	<b>0</b>	<b>382,724</b>	<b>1,835,237</b>	<b>2,217,961</b>
<b><i>Committed to</i></b>				
Maintenance Services	13,188	0	0	13,188
<b><i>Assigned to</i></b>				
Recreation and Nutrition Programs	275,534	0	0	275,534
Purchases on Order	143,766	0	0	143,766
2014 Appropriations	888,069	0	0	888,069
<b><i>Total Assigned</i></b>	<b>1,307,369</b>	<b>0</b>	<b>0</b>	<b>1,307,369</b>
<b><i>Unassigned (Deficit)</i></b>	<b>910,978</b>	<b>0</b>	<b>(104,988)</b>	<b>805,990</b>
<b><i>Total Fund Balances</i></b>	<b>\$2,435,925</b>	<b>\$382,724</b>	<b>\$1,759,698</b>	<b>\$4,578,347</b>

**Note 6 – Fund Deficits**

The following funds had deficit fund balances as of December 31, 2013:

***Special Revenue Funds***

Police Pension	\$13,959
Fire Pension	14,866

***Capital Projects Funds***

Permanent Improvement	75,675
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**City of Garfield Heights, Ohio**  
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The special revenue and the capital projects funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

### **Note 7 - Deposits and Investments**

The City is a charter City and has elected to follow the provisions of State statute. State statutes classify monies held by the City into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);

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7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons; and
3. Obligation of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### **Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$3,607,483 of the City's bank balance of \$5,744,142 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### **Investments**

At December 31, 2013, the City had \$1,502,656 invested in STAR Ohio with an average maturity of 53.4 days.

**City of Garfield Heights, Ohio**  
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***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

**Note 8 - Contingencies**

***Grants***

The City receives financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2013.

***Litigation***

The City is a party to various legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**Note 9 – Receivables**

Receivables at December 31, 2013 consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, accounts, intergovernmental and special assessments.

No allowances for doubtful accounts have been recorded as uncollectible amounts are expected to be insignificant. All receivables except property taxes and special assessments are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$190,708 in the bond retirement fund.

***Property Taxes***

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes. Property tax payments received during 2013 for tangible personal property (other than public utility property) are for 2013 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013, was \$27.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based as follows:

	<u>Assessed Valuation</u>
Real Estate	
Residential/Agriculture	\$269,100,680
Commercial Industrial/Public Utility	89,382,570
Tangible Personal Property	
Public Utility	<u>10,356,820</u>
Total	<u><u>\$368,840,070</u></u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Garfield Heights and periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

***Income Taxes***

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds are credited to the following funds: 81 percent to the general fund, 6 percent to the street construction maintenance and repair special revenue fund, 7 percent to the bond retirement debt service fund and 6 percent to the storm and sanitary sewer capital projects fund.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Payments in Lieu of Taxes***

According to State law, the City has established a tax incremental financing district within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owner has agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owner's contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. A portion of the payments in lieu of taxes the City receives is due to the Garfield Heights City School District and the Cleveland Cuyahoga County Port Authority. The payable for this portion has been reported in the City's agency fund.

***Intergovernmental Receivables***

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Homestead and Rollback	\$689,255
Local Government	539,835
Gas Tax	383,944
Garfield Heights Municipal Court	185,157
Inheritance Tax	106,197
Motor Vehicle License	81,765
Cuyahoga County	81,223
Grants	79,494
Permissive Tax	78,394
Various Cities	33,064
State of Ohio	5,491
<i>Total Intergovernmental Receivables</i>	<u><u>\$2,263,819</u></u>

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Deductions	Balance 12/31/13
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$1,665,810	\$14,847	(\$10,102)	\$1,670,555
Construction in Progress	0	249,665	0	249,665
<i>Total Capital Assets, Not Being Depreciated</i>	1,665,810	264,512	(10,102)	1,920,220
<i>Capital Assets, Being Depreciated</i>				
Buildings	15,591,514	27,700	0	15,619,214
Improvements Other than Buildings	4,466,268	0	0	4,466,268
Vehicles	5,609,320	71,756	0	5,681,076
Machinery and Equipment	5,044,471	429,358	(116,577)	5,357,252
Furniture and Fixtures	691,224	11,364	0	702,588
Infrastructure				
Roads	27,002,567	2,650,000	0	29,652,567
Sidewalks and Trails	0	150,000	0	150,000
Sanitary Sewers	4,200,055	320,000	0	4,520,055
Storm Sewers	1,900,471	65,000	0	1,965,471
<i>Total Capital Assets, Being Depreciated</i>	64,505,890	3,725,178	(116,577)	68,114,491
<i>Less Accumulated Depreciation</i>				
Buildings	(6,395,647)	(321,892)	0	(6,717,539)
Improvements Other than Buildings	(2,534,043)	(112,571)	0	(2,646,614)
Vehicles	(4,031,474)	(283,850)	0	(4,315,324)
Machinery and Equipment	(4,193,821)	(173,144)	115,275	(4,251,690)
Furniture and Fixtures	(586,584)	(13,564)	0	(600,148)
Infrastructure				
Roads	(16,132,221)	(1,113,248)	0	(17,245,469)
Sidewalks and Trails	0	(3,750)	0	(3,750)
Sanitary Sewers	(1,224,580)	(87,201)	0	(1,311,781)
Storm Sewers	(535,584)	(38,659)	0	(574,243)
<i>Total Accumulated Depreciation</i>	(35,633,954)	(2,147,879) *	115,275	(37,666,558)
<i>Total Capital Assets being Depreciated, Net</i>	28,871,936	1,577,299	(1,302)	30,447,933
<i>Capital Assets, Net</i>	\$30,537,746	\$1,841,811	(\$11,404)	\$32,368,153

\* Depreciation expense was charged to governmental functions as follows:

General Government	\$328,749
Security of Persons and Property	344,952
Public Health Services	36,774
Transportation	1,205,900
Basic Utility Services	144,892
Leisure Time Activities	86,612
Total Depreciation Expense	\$2,147,879

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

**Note 11 – Other Employee Benefits**

*Compensated Absences*

Employees earn vacation leave at different rates which are affected by the employee’s length of service. Once vacation leave is earned it cannot be taken away from the employee. Within the labor contracts and/or agreements for the Police, Firemen, Dispatchers and Jailers, and administrative employees of the City there is language allowing the carry-over of vacation credits into future periods, through the written approval of either the department chief, director or the Mayor. The only limits placed upon any of these classes of employees is the limit in the fire contract that the City will only pay out at retirement a maximum of 6 weeks of vacation credits. In an effort to avoid many vacation accruals the City has agreed in negotiations to the right of the employee to be paid for unused vacation leave during the month of December. At retirement or separation from City employment the employee would be entitled to payment at the current rate of pay for any earned but unused vacation credits they may have.

Overtime is paid for in the period in which it is worked, except for the Police and Fire Department and AFSCME employees, who may accumulate overtime within limits built into the contracts. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

Sick leave may be accumulated without limit. Upon retirement, death, or leaving City service, employees are entitled to payment of any accumulated but unused sick leave as follows: Fire Department employees at 50 percent, provided the employee had at least 15 years of service with the City; all other employees at 50 percent of accumulated but unused sick leave, without any service requirement.

**Note 12 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, the City contracted with Ohio Plan Risk Management Inc. for various types of insurance as follows:

Type	Coverage	Per Occurrence
Property	\$32,700,262	
Inland Marine	2,427,182	
Comprehensive General Liability	6,000,000	\$8,000,000
Police Professional Liability	6,000,000	8,000,000
Employment Practices	6,000,000	6,000,000
Vehicle Liability	6,000,000	
Public Officials Liability	6,000,000	8,000,000

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded this coverage in any of the past three years.

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic hospital/medical/surgical plans with deductibles of \$200 per person and \$400 per family, with maximum out of pocket expenses, not including the deductibles, of \$0 per individual or family coverage for network, and \$800 and \$1,200 per individual and family, respectively, for out of network. Medical Mutual of Ohio reviews all claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of \$160,000 per employee. The benefit is paid by the fund that pays the salary for the employee and is based on historical cost information.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

A health benefit claims liability of \$367,106 has been accrued in the general fund, street maintenance and repair, state highway, municipal court special projects and family resource center special revenue funds and storm and sewer and municipal court improvement capital projects funds based on an estimate by the third party administrator. The liability reported at December 31, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

The City participates in the State Workers' Compensation retrospective rating and payment system. Once the City receives notice of the 2013 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2013. The minimum premium portion of intergovernmental payable is \$261,342 and the actual claim costs are \$22,463. The maintenance of these benefits is accounted for in the general fund. Incurred but not reported claims and premium of \$435,951 have been accrued as a liability at December 31, 2013 based on an estimate provided by Comp Management, Inc., the City's third party administrator. Changes in the claims liability amount for health and workers' compensation in 2012 and 2013 were:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Compensation Estimate	Balance at End of Year
2012	\$405,607	\$17,830	\$201,530	\$385,230	\$607,137
2013	607,137	60,764	261,342	29,392	435,951

**Note 13 – Short-Term Obligations**

The City's short-term note activity is as follows:

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13
2009 Local Government Borrowing	\$1,332,116	\$0	\$912,116	\$420,000
Unamortized Discount	(36,710)	0	(20,023)	(16,687)
<i>Total Short-Term Obligations</i>	<u>\$1,295,406</u>	<u>\$0</u>	<u>\$892,093</u>	<u>\$403,313</u>

On October 29, 2009, the City issued \$3,600,000 in local government borrowing notes to eliminate deficit fund balances. These notes were issued at a discount of \$100,116. The note was issued at a 4 percent interest rate and matures on April 15, 2014. Principal and interest requirements to retire the local government note at December 31, 2013 are \$420,000 and \$8,400.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

**Note 14 - Long-Term Obligations**

Changes in long-term obligations of the City during the year ended December 31, 2013 were as follows:

	Outstanding 12/31/2012	Additions	Reductions	Outstanding 12/31/2013	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2004 4.75% \$9,900,000					
Various Improvements	\$7,514,000	\$0	(\$471,000)	\$7,043,000	\$495,000
2006 4.00% \$1,885,000					
Various Purpose Improvement					
Refunding Bonds	525,000	0	(260,000)	265,000	265,000
2006 4.00% \$2,307,466					
Various Purpose Refunding Bonds	1,005,009	0	(243,129)	761,880	257,588
2006 4.00% \$2,790,000					
Street Improvement	2,060,000	0	(170,000)	1,890,000	175,000
Unamortized Premium	85,625	0	(8,568)	77,057	0
2010 3.00% Various Improvement					
Serial Bonds	1,310,000	0	0	1,310,000	0
Term Bonds	7,675,000	0	(865,000)	6,810,000	895,000
Unamortized Premium	161,571	0	(10,092)	151,479	0
2012 3.00% \$5,775,000					
Various Purpose Improvement					
Refunding Bonds					
Serial Bonds	3,425,000	0	(130,000)	3,295,000	220,000
Term Bonds	2,350,000	0	0	2,350,000	0
Unamortized Discount	(21,137)	0	1,417	(19,720)	0
<b>Total General Obligation Bonds</b>	<b>26,090,068</b>	<b>0</b>	<b>(2,156,372)</b>	<b>23,933,696</b>	<b>2,307,588</b>
<b>Special Assessment Bonds</b>					
2006 4.00% \$325,000					
Various Purpose Improvement					
Refunding Bonds	95,000	0	(45,000)	50,000	50,000
2006 4.00% \$872,534					
Various Purpose Refunding Bonds	379,991	0	(91,871)	288,120	97,412
<b>Total Special Assessment Bonds</b>	<b>474,991</b>	<b>0</b>	<b>(136,871)</b>	<b>338,120</b>	<b>147,412</b>
<b>Other Governmental Activities</b>					
Compensated Absences Payable	4,414,867	308,401	(286,850)	4,436,418	286,850
Worker's Compensation Claims Payable	607,137	90,156	(261,342)	435,951	275,676
Police and Fire Pension Liability	576,465	0	(15,760)	560,705	16,437
Capital Leases Payable	0	199,289	0	199,289	47,620
<b>Total Other Governmental Activities</b>	<b>5,598,469</b>	<b>597,846</b>	<b>(563,952)</b>	<b>5,632,363</b>	<b>626,583</b>
<b>Total Governmental Activities</b>	<b>\$32,163,528</b>	<b>\$597,846</b>	<b>(\$2,857,195)</b>	<b>\$29,904,179</b>	<b>\$3,081,583</b>

**City of Garfield Heights, Ohio**  
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General obligation bonds will be paid from the general bond retirement debt service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences and claims will be paid from the general fund, street, construction, maintenance and repair, state highway, municipal court special projects and family resource center special revenue funds and the storm and sewer and municipal court improvement capital projects funds. The police and fire pension liability will be paid from taxes receipted in the police and fire pension special revenue funds. This includes an accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters.

On October 30, 2012, the City issued \$5,775,000 in general obligation bonds for the purpose of refunding general obligation issues in order to take advantage of lower interest rates. The general obligation bonds consist of serial and term bonds in the amounts of \$3,425,000 and \$2,350,000, respectively. The bonds were issued for a fifteen year period with a final maturity on December 1, 2027.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$2,350,000
2023	\$430,000
2024	450,000
2025	470,000
2026	490,000
Total mandatory sinking fund payments	1,840,000
Amount due at stated maturity	510,000
Total	\$2,350,000
<i>Stated Maturity</i>	<i>12/1/2027</i>

On November 10, 2010, the City issued \$10,625,000 in general obligation bonds for the purpose of various capital improvements and to refund general obligation issues in order to take advantage of lower interest rates. The general obligation bonds consist of serial and term bonds in the amounts of \$1,310,000 and \$9,315,000, respectively. The bonds were issued for an eighteen year period with a final maturity on December 1, 2028.

The term bonds maturing on December 1, 2016, 2020, 2025 and 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

**City of Garfield Heights, Ohio**  
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Year	Issue \$5,260,000	Issue \$725,000	Issue \$2,130,000	Issue \$1,200,000
2011	\$795,000	\$0	\$0	\$0
2012	845,000	0	0	0
2013	865,000	0	0	0
2014	895,000	0	0	0
2015	910,000	0	0	0
2019	0	355,000	0	0
2021	0	0	385,000	0
2022	0	0	405,000	0
2023	0	0	425,000	0
2024	0	0	445,000	0
2026	0	0	0	380,000
2027	0	0	0	400,000
Total mandatory sinking fund payments	4,310,000	355,000	1,660,000	780,000
Amount due at stated maturity	950,000	370,000	470,000	420,000
Total	<u>\$5,260,000</u>	<u>\$725,000</u>	<u>\$2,130,000</u>	<u>\$1,200,000</u>
<i>Stated Maturity</i>	<i>12/1/2016</i>	<i>12/1/2020</i>	<i>12/1/2025</i>	<i>12/1/2028</i>

The City's overall legal debt margin was \$15,386,051 at December 31, 2013. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

	General Obligation Bonds		Special Assessment Bonds		Police and Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$2,307,588	\$951,073	\$147,412	\$14,675	\$16,437	\$23,657
2015	2,233,844	866,788	100,156	7,628	17,143	22,951
2016	2,290,448	785,550	90,552	3,622	17,880	22,215
2017	1,798,000	705,996	0	0	18,647	21,447
2018	1,852,000	640,529	0	0	19,448	20,646
2019-2023	8,399,000	2,156,525	0	0	110,512	89,960
2024-2028	4,844,000	536,964	0	0	136,374	64,097
2029-2033	0	0	0	0	168,286	32,185
2034-2035	0	0	0	0	55,978	2,358
Totals	<u>\$23,724,880</u>	<u>\$6,643,425</u>	<u>\$338,120</u>	<u>\$25,925</u>	<u>\$560,705</u>	<u>\$299,516</u>

**City of Garfield Heights, Ohio**  
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**Note 15 - Capital Leases - Lessee Disclosure**

The City has entered into a capitalized lease for a telephone system. The lease meets the criteria of a capital lease. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds. As of December 31, 2013, the telephone system is not fully constructed and/or operational. Therefore, the \$99,665 of work completed on the telephone system as of December 31, 2013 is shown as construction in progress on the financial statements.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013.

	Governmental Activities
2014	\$53,243
2015	53,243
2016	53,243
2017	53,243
Total Mimimum Lease Payments	212,972
Less: Amount representing interest	(13,683)
Present Value of Mimimum Lease Payments	\$199,289

**Note 16 – Interfund Transfers and Balances**

*Interfund Transfers*

Transfer To	Transfer From		
	General	Other Governmental Funds	Totals
General	\$0	\$183,310	\$183,310
Bond Retirement	0	1,084,500	1,084,500
Other Governmental Funds	1,748,480	0	1,748,480
Totals	\$1,748,480	\$1,267,810	\$3,016,290

During 2013, the general fund transferred out \$1,748,480 to various other governmental funds. The general fund transfers to the police and fire pension special revenue funds of \$834,500 and \$875,928, respectively, were made because the property tax received by those funds are not enough to meet the annual liability and payment to the police and fire pension systems. The police and fire pension special revenue funds were set up to correctly identify a small percentage of the property tax revenues that were earmarked inside millage for the payment of pension amounts for the City’s police and fire safety officers. After these tax revenues are received from the County through the property tax distributions, any remaining balance needed to pay the pension payments is transferred to these funds from the general fund. The general fund transfer to the indigent driver special revenue fund of \$550 was a court ordered transfer. The general fund transfer to the permanent improvement capital projects fund of \$37,502 was made to provide funding for capital improvements.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
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The bond retirement debt service fund received transfers in of \$300,000 from the street construction maintenance and repair special revenue fund, \$149,500 from the motor vehicle license tax special revenue fund, as well as \$400,000 from the storm and sanitary sewer and \$235,000 from the permanent improvement capital projects funds to support payments on long-term debt.

The FEMA special revenue fund transferred \$183,310 to the general fund for reimbursement of program expenditures.

**Note 17 - Jointly Governed Organizations**

***Northeast Ohio Public Energy Council*** The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Garfield Heights did not contribute to NOPEC during 2013. Financial information can be obtained by contacting Joseph Migliorini, the Board Chairman, at 175 South Main Street, Akron, Ohio 44308 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

***First Suburbs Consortium of Northeast Ohio Council of Governments*** The City is a member of the First Suburbs Consortium of Northeast Ohio Council of Governments (Council). The Council is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council is currently comprised of 12 communities. The Council was formed to foster cooperation between municipalities in matters of mutual concern, including but not limited to initiation and support of policies and practices which protect, maintain and redevelop mature communities and other matters which affect health, welfare, education, economic conditions and regional development.

The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and other members elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. During 2013, the City of Garfield Heights contributed \$3,000 to the First Suburbs Consortium. Financial information can be obtained by contacting First Suburbs Consortium of Northeast Ohio Council of Governments, 40 Severance Circle, Cleveland Heights, Ohio 44118.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 18 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.0 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$682,306, \$513,201 and \$486,491, respectively. For 2013, 92.11 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$10,149 made by the City and \$7,250 made by plan members.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24.0 percent, respectively, for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013, through May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, through December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$640,211 and \$667,439 for the year ended December 31, 2013, \$510,700 and \$537,248 for the year ended December 31, 2012, and \$496,427 and \$532,790 for the year ended December 31, 2011, respectively. For 2013, 93.10 percent for police and 92.67 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2013, the liability of the City was \$560,705 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported as “long-term liabilities” in the governmental activities column on the statement of net position.

## **Note 19 - Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$52,485, \$205,281 and \$194,596, respectively. For 2013, 92.11 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period .

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F’s website at [www.op-f.org](http://www.op-f.org).

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, through May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, through December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$145,777 and \$118,425 for the year ended December 31, 2013, \$270,371 and \$210,227 for the year ended December 31, 2012, and \$262,814 and \$208,483 for the year ended December 31, 2011. For 2013, 93.10 percent has been contributed for police and 92.67 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

**Note 20 – Significant Commitments**

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<i>Governmental Funds:</i>	
General	\$491,149
Other Governmental Funds	210,455
Total	<u><u>\$701,604</u></u>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and  
Members of City Council  
Garfield Heights, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Ohio (the "City"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 29, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and  
Members of City Council  
Garfield Heights, Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
August 29, 2014

**Independent Auditor’s Report on Compliance for Each Major Federal Program;  
Report on Internal Control over Compliance; and Report on the Schedule of  
Expenditures of Federal Awards Required by OMB Circular A-133**

Honorable Mayor and  
Members of City Council  
City of Garfield Heights

**Report on Compliance for Each Major Federal Program**

We have audited the City of Garfield Heights, Ohio’s (the “City”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2013. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

***Management’s Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Honorable Mayor and  
Members of City Council  
Garfield Heights, Ohio

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Honorable Mayor and  
Members of City Council  
Garfield Heights, Ohio

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated August 29, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
August 29, 2014

# City of Garfield Heights

## Schedule of Expenditures of Federal Awards

**For the year ended December 31, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice:		
Direct payment to the City:		
Bullet Proof Vest Partnership Program	16.607	\$ 14,400
Passed-Through the Ohio Department of Public Safety:		
Emergency Law Enforcement Grant	16.824	2,232
Passed-Through the City of Cleveland:		
Edward Byrne Memorial Justice Assistance Program Grant	16.738	<u>11,050</u>
Total U.S. Department of Justice		<u>27,682</u>
U.S. Department of Homeland Security:		
Direct Payment to the City:		
Assistance to Firefighters – Fire Prevention and Safety Grant	97.044	141,175
Passed-Through the State of Ohio and Cuyahoga County:		
Urban Areas Security Initiative Training FY 2011	97.067	<u>6,536</u>
Total U.S. Department of Homeland Security		<u>147,711</u>
U.S. Department of Housing and Urban Development:		
Passed-Through the Cuyahoga County Department of Development:		
Community Development Block Grants	14.218	299,193
U.S. Department of Health and Human Services:		
Passed Through the Western Reserve Area on Aging:		
Special Programs for the Aging – Title III, Part C – Nutrition Services	93.045	52,221
Passed-Through the Western Reserve Area on Aging:		
Nutrition Incentives Services Program	93.053	<u>8,269</u>
Total U.S. Department of Health and Human Services		<u>60,490</u>
U.S. Department of Transportation:		
Passed-Through the Ohio Department of Public Safety, Traffic Safety Grant	20.614	<u>8,251</u>
Total Federal Financial Assistance		\$ <u><u>543,327</u></u>

The accompanying notes are an integral part of this schedule

## City of Garfield Heights

Notes to the Schedule of Expenditures of Federal Awards

**For the year ended December 31, 2013**

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### **Note 1: Significant Accounting Policies**

#### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of the City's federal award programs. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies is included on this schedule.

### **Note 2: Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.

# City of Garfield Heights

Schedule Of Findings  
OMB Circular A-133, Section .505

**For the year ended December 31, 2013**

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## 1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Was there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510(a)?	No
(d)(1)(vii)	Major Programs	Community Development Block Grants – CFDA # 14.218
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

## 2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

## 3. Findings for Federal Awards

None noted.



# Dave Yost • Auditor of State

**CITY OF GARFIELD HEIGHTS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 2, 2014**